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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002475

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E.O. 12958: DECL: 06/02/2010
TAGS: [ETTC](#) [PARM](#) [PREL](#) [PTER](#) [PINR](#) [TW](#)
SUBJECT: TAIWAN TO REQUIRE EXPORT LICENSES FOR MACHINE
TOOLS TO NORTH KOREA

REF: TAIPEI 2025

Classified By: AIT DIRECTOR DOUGLASS PAAL FOR REASONS 1.5 B/D

1. (U) This is an action message. Please see paragraph 8.

2. (C) Summary: Taiwan plans to impose a positive requirement that Taiwan firms obtain an export license before shipping machine tools, including reexports, to North Korea. Board of Foreign Trade Deputy Director General Wu provided a written plan to AIT/T on June 3 and requests USG comments as soon as possible. Taiwan's UNSCR 1540 report is in the final review process. End Summary.

Export Licenses for Machine Tools Headed to North Korea

3. (C) At the request of Taiwan's Board of Foreign Trade, AIT/T Econ Chief met with BOFT Deputy Director General James Wu on June 3 to receive an English-language paper prepared by BOFT describing Taiwan's plans to implement a positive requirement for Taiwan firms to obtain an export permit before shipping machine tools, including reexports, to North Korea. Wu said that following the recent visit of National Security Bureau Director General Hsueh Shih-ming to the U.S., Taiwan wanted to provide the paper to the USG as soon as possible. AIT/T has sent the document via e-mail to EAP/TC (Jim Levy) and NP (Kathy Crouch). This document has been prepared by Taiwan agencies and not yet shared with its machine tool industry. Wu requested USG comments on Taiwan's proposed export control plan so that BOFT can proceed to implement the plan.

4. (C) Wu described the proposed procedure as requiring all Taiwan companies to apply to BOFT for a license before exporting machine tools to North Korea. BOFT will review all applications and check end users and end use against the Sensitive High-Technology Control List. If the commodity is on the SHTC, Taiwan will hold the application and forward the case through AIT to Washington Agencies for comment. If the commodity is not on the SHTC list, BOFT will issue a license and inform AIT of such licenses issued. Wu noted that these procedures will also apply to goods to be re-exported from Taiwan to North Korea. In a subsequent conversation to clarify Taiwan's procedures regarding shipment of machine tools to destinations other than North Korea, BOFT Export Control Task Force leader Wally Su requested U.S. assistance to provide updated lists of goods on the SHTC and "black lists" of companies that should not receive high technology goods. Su reiterated Taiwan's longstanding concern that it lacks the means to verify the final destination and end use of products that it ships to places like Hong Kong. He said that Taiwan needs assistance to build up its capability to determine if companies in intermediate points are then reexporting Taiwan goods on to prohibited destinations.

5. (c) Wu particularly asked how long it would take for the U.S. to process and comment on the cases submitted by Taiwan. Given that Taiwan is currently planning to implement this positive licensing requirement only for North Korea, it expects to have two or three cases per month. When we asked about a positive licensing requirement for other countries of concern, Wu said that Taiwan would first like to try out the system on North Korea and then would consider expanding the process to other countries.

6. (SBU) Wu noted that exports of machine tools from Taiwan to North Korea, and exports to North Korea in general, make up a very small proportion of Taiwan's exports. In 2004, BOFT recorded approximately USD2 million of machine tool exports to North Korea. Some 20 Taiwan companies shipped machine tools to North Korea in 2004.

UNSCR Report Under Final Review

7. (C) When asked, Wu said that Taiwan is continuing to work hard on the UNSCR 1540 report and may have it ready in the next week or two. It is currently at the Executive Yuan for final review.

18. (C) Action Request: Request Washington agencies' comments on the paper prepared by BOFT. In particular, we would appreciate an estimate of the amount of time that will be required for U.S. review of license applications sent for review by BOFT. End action request.
PAAL